

Overview

Introduction to the Common Origination and Disbursement Process

Background

The Office of Student Financial Assistance (SFA) became a *Performance Based Organization* (PBO) in 1998. A PBO is an organization that is held accountable for producing measurable results that customers value. In return, the organization is given unusual flexibility in how it can pursue those results.

SFA continuously seeks to enhance the way in which students receive financial aid. SFA's commitment to its customers necessitates changing with the times. The PBO reorganization provides an opportunity to set new *enterprise wide* goals. Two of SFA's strategic goals are to increase customer satisfaction and reduce costs by modernizing business processes.

In an effort to achieve these strategic goals, SFA sought an improved process for delivering student financial aid. Focus groups consisting of a cross section of schools representing mainframe, combination, large volume, small volume, Federal Direct Loan, and Federal Family Educational Loan Program (FFEL) schools met for several months to discuss how the delivery of student financial aid could be improved. The partnership between SFA and the schools led to the development of a conceptual design and identified key components of the new *Common Origination and Disbursement (COD) Process*.

Since 1999, the COD Process has evolved to address many of the concerns first put forth by the original focus groups. The goals of the COD Process

were developed from institutional feedback and offer many benefits to schools. They emphasize the need for:

- A more streamlined and simplified aid origination and disbursement process
- Improved information accuracy by providing a central repository for SFA's data storage
- Common reporting for Pell Grants and Direct Loans (eliminates duplicate data reporting)
- Integrated customer service
- Transmissions via batch or *real-time* updates
- Student-centric data collection
- Program integrity through data integration

New technology, increased emphasis on customer service, and intensified efforts to reduce unit costs have created a foundation to re-engineer the current processes of delivering and reporting Federal Pell Grants and Direct Loans from two processes into one *Common Origination and Disbursement Process*.

Benefits of the COD Process

COD provides a common process and an integrated system that enables efficient Title IV funds delivery. COD allows for:

- Common Processing:
 - One process and record for submitting origination and disbursement data
 - Edits that are common across programs
 - Data tags that are common across programs, and (approaching) a cross-industry standard for data definitions
 - Elimination of duplicate data reporting for Pell Grants and Direct Loans
- Streamlined edits to reduce turnaround time for exception processing
- Expanded online capability to make corrections/*changes*, process “emergency” requests, and check transmission status

- Expanded reporting capabilities to benchmark like school groups
- Optional student level data reporting capabilities for Federal Supplemental Educational Opportunity Grant, Federal Work-Study and Federal Perkins Loans

In short, the COD Process is a more simplified process for requesting, reporting, and reconciling federal funds.

COD Process and the Common Record

The COD Process redefines aid origination and disbursement for the Pell Grant and Federal Direct Loan Programs. COD is a common process integrated with a system designed to support origination, disbursement and reporting. The new process also provides integrated customer service.

The COD Process uses a new *Common Record* with common data elements, definitions, edits, and structure across Pell Grants and Direct Loans. It facilitates submission of student data for Pell Grant, Direct Loan and campus-based programs using the same record.

The Common Record is a new standard within the student financial aid community. Not only is it applicable to Pell Grant, Direct Loan and aid, but it is also flexible and can be used in the future for state grants, FFEL, alternative loans, etc. if desired by program administrators.

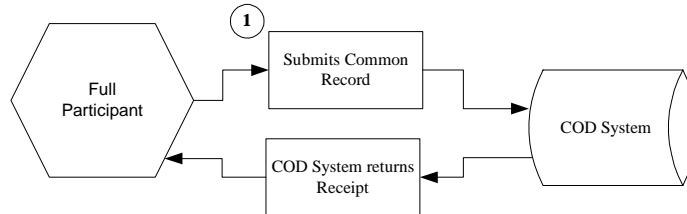
Members of the National Council of Higher Education Loan Programs (NCHELP) and Postsecondary Electronic Standards Council (PESC) assisted with the development of the Common Record. This collaborative effort enables the Common Record to bring consistency and standardization to the transmission of Student Financial Assistance data. The Common Record provides a structure to allow for the addition of FFEL Program data. Thus, the inherent processing efficiencies of the COD Process will also be available to FFEL schools as the FFEL *trading partners* adopt this format.

Common Record Processing Walkthrough

This walkthrough applies to *Full Participants* for the 2002-2003 Award Year. Numbers in parenthesis, [e.g., (1)], refer to a step enumerated on the diagram. This section addresses, at a high level, the processing of the Common Record from the institution perspective. This section does not

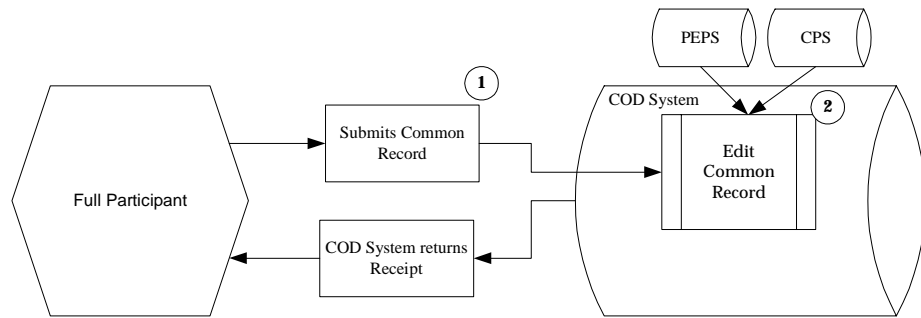
explain the complete COD Process. Further detailed COD Process information is described in the COD Process section beginning on page P-1.

1 Full Participant Submits Common Record



The COD Process begins when a school submits a Common Record (1). The COD System performs an immediate check to determine if the Common Record is readable. If the Common Record is readable, or complies with the *XML schema*, the COD System returns a *receipt*.

2 Edit Common Record



If a Common Record passes the XML schema match, the Common Record is edited (2). For a comprehensive list of Common Record edits, please see Appendix E.

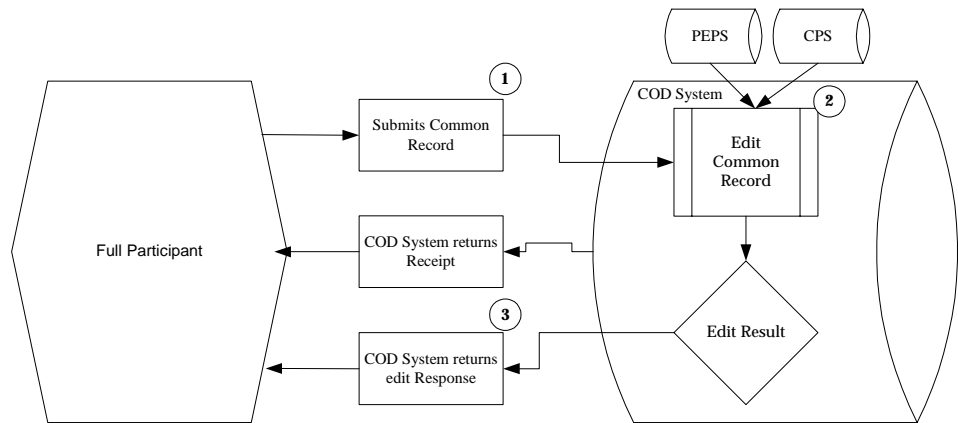
The COD System interfaces with the Postsecondary Education Participant System (PEPS) and the Central Processing System (CPS) to gather school and student eligibility information for editing the Common Record.

Program Specific Edits

Certain edits performed are *program specific*. Each program has unique requirements that must be met. Program specific edits do not prevent the student record from being established in the COD System. For example, if a school sends a Common Record that contains Pell Grant and Direct Loan data, and the Pell Grant data fails the maximum Pell Grant annual award amount edit, the COD System still establishes the student record in its database and processes the Direct Loan, even though the Pell Grant portion of the Common Record is rejected.

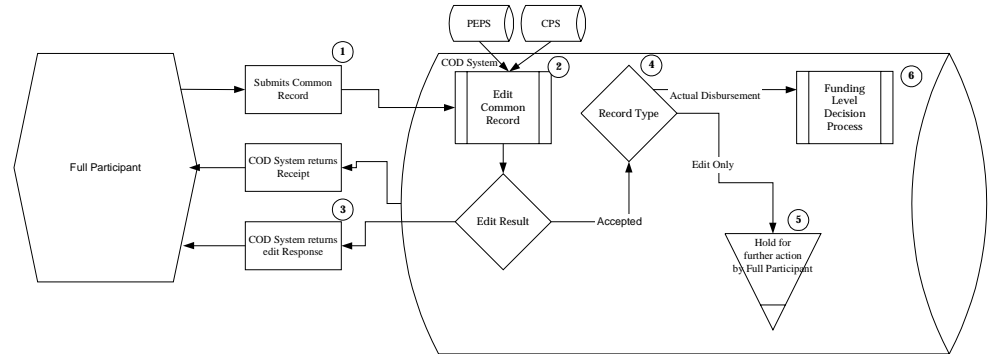
Campus-based edits vary significantly from those for Pell Grants and Direct Loans. Once the COD System performs an eligible Institutional Student Information Record (ISIR) check with CPS, campus-based records are only edited for formatting and *reasonability checks*.

3 Edit Response



After processing, the COD System sends an edit *Response* to the school indicating whether the record passed the edits. The Response is the Common Record that is returned to the *Full Participant* after it is processed (3). If the record does not pass the edits, the Response identifies the reject reasons and the related data elements.

4 Accepted Records



Accepted records continue through the COD Process (4). Once received, the records are identified by type. This is done at the level of detail reported in the records and for each *instance of award* and/ or disbursements individually. Therefore, if both Pell Grant and Direct Loan disbursements are reported, they are treated separately. There are separate processing paths depending on record type. There are four record types: New, Release, Change and Adjustment.

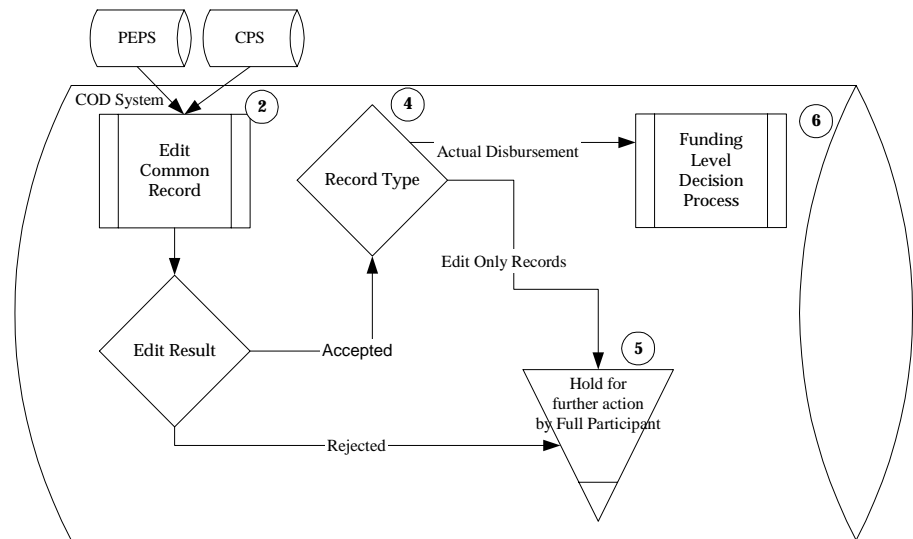
- **New Record** – establishes a new person, award or disbursement.
- **Release Record** – changes an Edit Only Record to an Actual Disbursement Record so that the disbursement is posted to the student's/borrower's award (loan/grant). Release Records may also include adjustments to previously submitted monetary data elements. It either releases funds available to a school via drawdown or FedWire/ACH, or substantiates money already made available to the school.
- **General Update Record** – performs a change to a data element (not including the payment trigger from "N" to "Y") that was previously established by a New Record. A General Update Record also is used to change disbursement amounts and dates that occur prior to substantiating drawdowns and posting to an award (loan/grant).
- **Duplicate Record** – has previously been received or requests maintenance to a data element whereby the new value is equal to the value already established on the COD system.

New records are classified as either *Edit Only* or *Actual Disbursement*. Disbursements reported on Edit Only Records are not considered Actual Disbursements. The Edit Only option applies to all campus-based records

and those Direct Loan and Pell Grant records designated by the school as Edit Only. For Pell Grants and Direct Loans, the Edit Only option is exercised as a preliminary edit check, and is similar to the current origination record in RFMS and DLOS in that disbursements reported in the record are not posted to an award (loan/grant). Edit Only records are housed in a holding area (5) where they are accessible for changes. Changes are made either via the Web for online changes or through Common Record re-submission. The Common Record can be re-sent in its entirety, or sent just with identifiers and those data elements that have changed.

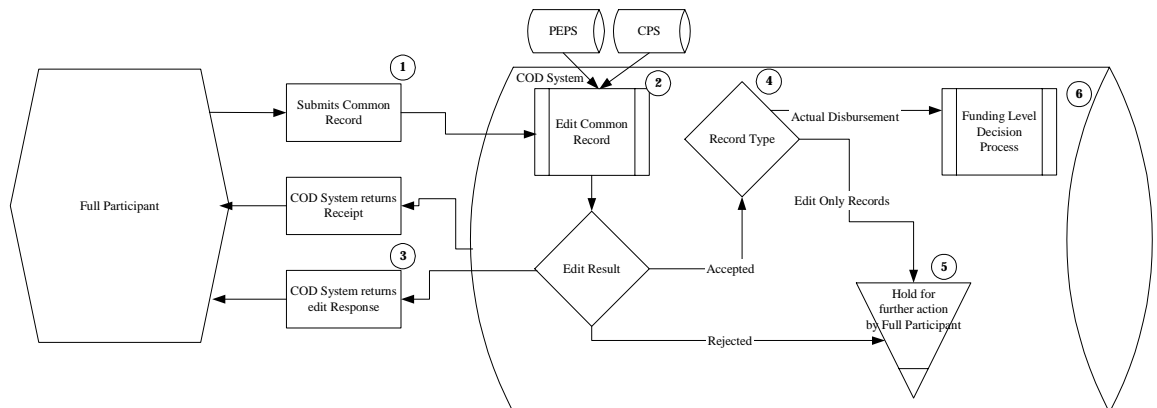
Actual Disbursement Records are records that have the payment trigger flag marked 'Y'. The payment trigger is a field on the Common Record that signals the COD System to post the amount of disbursement to an award (loan/grant). Actual Disbursement Records either release funds available to a school via drawdown or FedWire/ACH, or substantiate money already made available to the school. (6). This option applies only to those records reporting Pell Grant and Direct Loan awards, not to campus-based awards.

5 Rejected Data



Data that do not pass edits are housed in the holding area (5). Rejected data are changed through two methods. Records are either accessed via the Web for online changes to specific elements, or rejected data are corrected through Common Record re-submission. The Common Record can be re-submitted via batch or online, either in its entirety or with specific identifiers and those data elements requiring correction.

6 Common Record Process Completion



Process completion occurs when a Common Record designated as an Actual Disbursement is posted to the appropriate award (loan/grant) and either releases funds available to a school via drawdown or FedWire/ACH, or substantiates money already made available to the school. (6). If a school has submitted a Direct Loan disbursement prior to submitting the

promissory note to COD, the process does not end until the promissory note is received and the loan is booked with Direct Loan Servicing.

Common Record Processing Summary

This walkthrough presents the high level steps for Common Record Processing. A *Full Participant* submits a Common Record to the COD System. The record is edited and a response is sent back to the Full Participant. Edit Only Records and rejected data are housed in a holding area where they are accessible for changes (5). Actual Disbursement Records move on to the Funding Level Decision Process (6). If a record passes all of the edits, the record may trigger an increase in the money available for the school to draw down.

More detailed information is provided in the COD Process Section beginning on page P-1.

Differences Between Current Processes and COD Process

The table below outlines the differences between the current processes and the COD Process. Please note that all benefits relate to 2002-2003 award year processing.

Current Process	COD Process (2002-2003)
Fixed-length record <ul style="list-style-type: none">- Data elements recognized based on their position in the record layout- All data elements must be populated for each submission	XML Record or Document <ul style="list-style-type: none">- Data elements recognized by tags, do not need to be in a specific location- Submissions only require those elements necessary for the particular business process the school is trying to perform

Current Process	COD Process (2002-2003)
Origination required in all circumstances	<p>Option for early reporting to run record through edits, not required. Options include:</p> <ul style="list-style-type: none"> - School can report records early, then release as disbursement date nears (similar to current origination and disbursement); or - School can send one Common Record within 30 days of disbursement date for Pell Grants or within seven days of disbursement date for Direct Loans without taking any additional action (similar to current just in time, except only one record and transmission is required, not multiple and may or may not trigger a drawdown request on behalf of the school). <p>Additionally, for those schools whose business process is to do all reporting after disbursing to the student, only one transmission of one record is required, not cycles to both originate and then disburse</p>
Two-step resolution process: origination change and disbursement change	One step resolution process via Common Record
Change records for Pell Grants require resubmission of all data elements	Change records require only data elements that have changed
Different process for reporting changes for Pell Grant and Direct Loan	Process for reporting changes consistent across both programs
Only Direct Loan rejects stored	All rejects stored, with online resolution and re-submission available
Separate Websites to access Pell Grant and Direct Loan information	<p>Information across all programs available via single Website</p> <p>Note: The RFMS and DLOS websites are operational in 2002-2003</p>
Separate customer service support for Pell Grant and Direct Loan	Single customer service support contact for both programs
Only changes to records available via the Web for standard processing (i.e.: non	In addition to making changes to existing records, schools will also be able to submit new Common Records via the Web. Schools

Current Process	COD Process (2002-2003)
post-award year processing)	will also be able to 'release' Common Records via the Web
Limited Web access to data; requires log on to two different sites (Pell Grant and Direct Loan)	Consolidated view of data by award year and program, including amount drawn to date, amount of accepted records to date, progress towards accounting for money drawdown.
Limited Web access to processing information	Web access to real-time processing statistics such as day/ time received, batch status, # of records, # of accepted/ corrected/ rejected records, % of rejects by error type
No student-level reporting in the campus-based programs	Optional reporting of campus-based disbursements in order to pre-populate portions of the Fiscal Operations Report and Application to Participate in campus-based programs (FISAP)
Timing differences cause rejects when attempting to match Pell Grant records to CPS data	Records that cannot be matched to the CPS are held for up to three days, with a match reattempted every time an updated file is received from the CPS